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GENERAL

1. Further progress made in Greek-Yugoslav-Turkish defense planning:

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Greek Foreign Office and military officials state that the Greek-Yugoslav-Turkish military talks concluded last week provide a basis for further progress toward joint defense planning.

Yugoslav representatives were frank and unreserved in revealing specific weaknesses and strengths of their southern forces, in agreeing to hold general maneuvers in the south with Greek and Turkish observers present, and in approving an exchange of visits between commanders.

The Greeks plan to propose shortly that a permanent joint staff be established.

Comment: These are the first practical steps toward integrating the defense planning of the three countries.

The results of the meeting also suggest that the three governments have not yet been diverted by Soviet conciliatory gestures.

SOVIET UNION

2. Comment on Lithuanian party criticism of internal Soviet policy:

The recent announcement that the Central Committee of the Lithuanian Communist Party had convened to condemn and correct distortions in the application of Soviet nationality policy supports previous indications that the new regime is repudiating Stalin's harsh Russification of the many national minorities in the USSR.

The first evidence of such a reversal appeared in the dramatic Georgian shake-up in April with its charges that officials had provoked feelings of national enmity and interfered with native Georgian leaders. More recently the ouster of L. G. Melnikov as first party secretary in the Ukraine was officially attributed, in part, to his not using local officials to administer those oblasts acquired from Poland and Czechoslovakia after World War II.

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Much of the local dissatisfaction in both the Lithuanian and Ukrainian republics appears to be with the sycophantic attitude which the centrally appointed collective farm chairmen displayed toward everything Great Russian. Furthermore, their overzealousness in consolidating the collective farms has caused considerable disapproval in Moscow because of ensuing production losses. This latter point was particularly stressed by Malenkov at the 19th Party Congress.

FAR EAST

3. Comment on release of North Korean prisoners of war:

The Communists will almost certainly assert that President Rhee's release of 25,000 North Korean anti-Communist POW's was taken in collusion with the United Nations Command, undermines the basis of the truce talks, and "proves" a lack of good faith. While they may recess the talks pending assurances against future releases and will fully exploit the propaganda value in the incident, it is doubtful that they will break off the talks on this issue.

Rhee has several other possible weapons at his command, short of independent military operations, to hamper or block a truce, embarrass the United States, and emphasize South Korean opposition to an armistice. Measures which he may still adopt include refusal to sign an armistice, refusal to remove South Korean troops from the demilitarized zone, withdrawal from the UN Command, and employment of force against Indian troops.

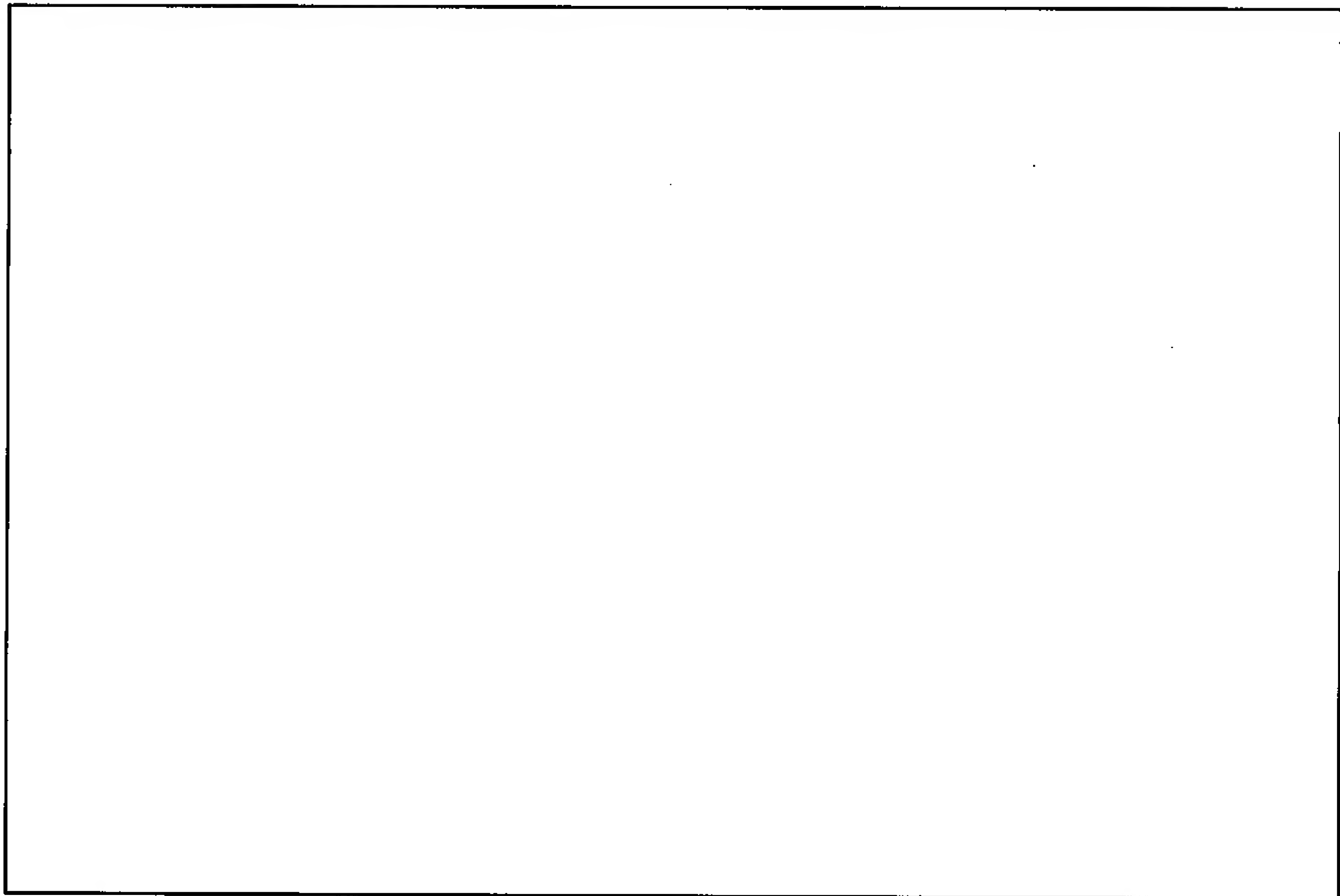
While there is a real danger of South Korean unilateral military action, Rhee will find it more difficult to gain the army's cooperation for such a move than was the case with the rear area troops which are under the command of a "political" general completely loyal to the president.

Whether Rhee will make any further unilateral moves probably depends on the reactions which follow the prisoner release. In addition to his efforts to undermine the truce, Rhee apparently hopes to secure major concessions from the United States without making commitments. Any success he might have could change the widespread indecision in South Korea to support.

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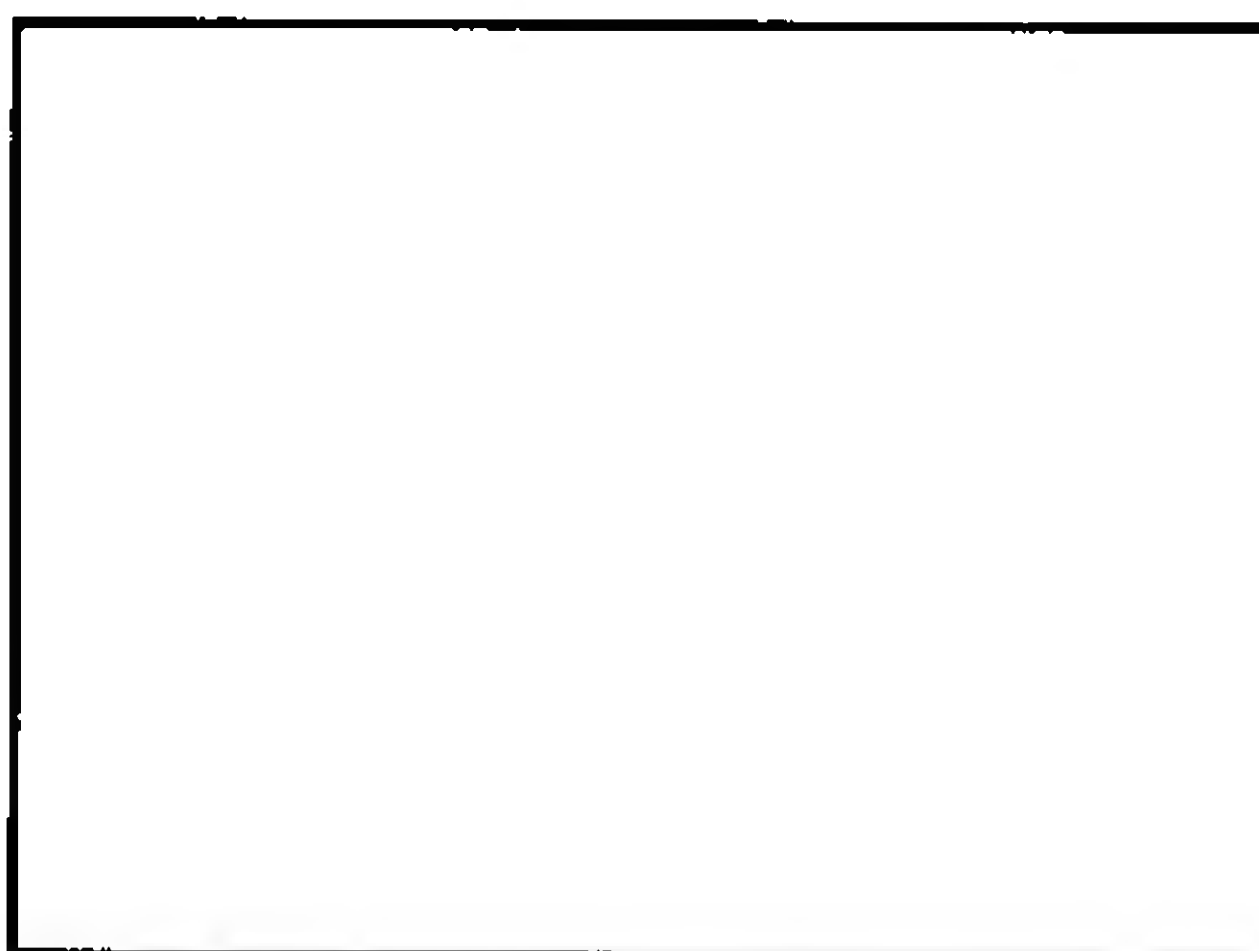
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NEAR EAST - AFRICA

5. Inflationary trend becoming more acute in Iran:

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Iran's economic difficulties are now beginning to appear in price rises and increasing demands for higher wages, the US embassy reported on 16 June. Business is no longer counting on an oil settlement and is now mainly concerned over the instability of the foreign exchange rates.

Inventories of foreign goods formerly acquired at relatively favorable exchange rates have been largely exhausted and must be replaced at two and one half times the former cost. The Iranian government appears to be unable to stop the inflationary trend.

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Comment: This report suggests that the Iranian economy may now be entering a new inflationary phase and that the government may be unable to carry out its intention of stabilizing the currency without the aid of oil revenues.

6. King's interference in politics causes new crisis in Libya:

King Idriss' summary dismissal of the governor of Tripolitania and two members of the provincial council, during Prime Minister Muntasser's absence in London, has precipitated a new crisis in the growing conflict between the king and his pro-Western premier.

Muntasser has returned to Tripoli reportedly determined to resign as a result of Idriss' latest interference in Libyan politics. Even if Muntasser agrees to remain in office, his efforts to cooperate with the West will be complicated by the continuing cleavage between himself and the anti-Western Cyrenaican clique which surrounds the king.

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WESTERN EUROPE

7. New Soviet gestures predicted in Austria:

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political prisoners detained in Austria on Soviet authority. These moves are planned to coincide with the official installation of the new Soviet ambassador.

Soviet officials will abolish post and telegraph censorship there before 1 July and will also grant amnesty to

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Comment: The release of locally held prisoners would be in addition to the recently promised release under the Soviet amnesty law of some of the Austrian prisoners now in the USSR.

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8. Comment on Berlin rioting:

The situation in East Berlin has apparently been brought under control. Soviet troops continue to back up East German police, and numerous arrests have reportedly been made. Public transportation in East Berlin was still disrupted on 18 June, however, and Soviet zone traffic into the city irregular. Strict controls over intersector travel have been imposed.

There are numerous unconfirmed reports of strikes and disturbances in other areas of East Germany, and martial law has reportedly been extended to some of them.

The government has obviously been frightened by these events and continues to alternate promises of generous concessions with threats of severe punishment. It is probable that at various levels the government has been compelled to relinquish authority to the Soviet military establishment.

[redacted] tentatively attribute the riots to popular suspicion that the recent conciliatory moves of the East German government were a confession of weakness and that demonstrations would be dealt with less ruthlessly than in the past.

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